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**Middle East
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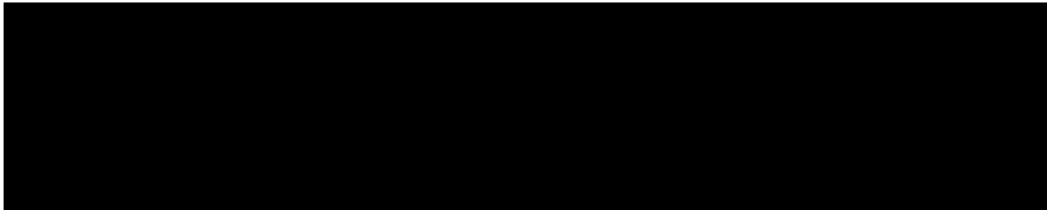
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MIDDLE EAST – AFRICA – SOUTH ASIA

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Sri Lanka

Cabinet Reshuffled

1 Prime Minister Bandaranaike's cabinet reshuffle
on September 17 does not signal any major power shift
within her dominant Sri Lanka Freedom Party (SLFP).
2 The reallocation of portfolios follows a cabinet purge
two weeks ago in which Bandaranaike expelled the three
ministers from the Trotskyite Lanka Sama Samaja
Party (LSSP), her principal coalition partner
since 1970, and temporarily assigned their portfolios
to SLFP ministers.

2 In the reshuffle, the Prime Minister has retained
four important portfolios including defense and
foreign affairs. Highway Minister Senanayake,
the second ranking minister behind Bandaranaike,
and other important SLFP ministers remain in the
cabinet, although some portfolios have been swapped.
1 Two new SLFP ministers were named, and the Moscow-
oriented Communist Party, the other member of the
governing coalition, retains one ministry.

2 With the cabinet issue apparently resolved,
the way is clear for the Prime Minister and her new
finance minister, Felix Bandaranaike--a distant
relative--to deal with the country's serious economic
problems, which include unemployment and a severe
foreign exchange shortage. The Prime Minister
realizes that some improvement in the economic
picture is a political necessity before the next
general election, which is constitutionally
required by May 1977. In addition to providing
some form of relief to the general public, the
government will probably try to satisfy international
lending agencies such as the International Monetary
Fund, which is urging Colombo to devalue the currency
and institute other economic reforms. The LSSP, having
assumed the role of an active opposition party, can be
expected to denounce such reforms and take the occasion
to renew its attacks on the US. (CONFIDENTIAL)

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